

LENAWEE TRANSPORTATION CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

**WITH
INDEPENDENT AUDITORS' REPORT**

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

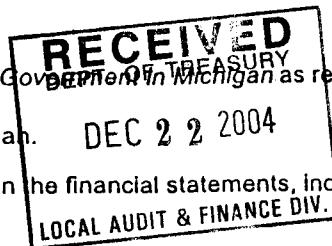
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name LENAWEE TRANSPORTATION CORPORATION	County LENAWEE
Audit Date SEPTEMBER 30, 2004	Opinion Date NOVEMBER 5, 2004	Date Accountant Report Submitted to State: DECEMBER 21, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.			
Street Address 121 NORTH MAIN STREET	City ADRIAN	State MI	ZIP 49221
Accountant Signature 			

LENAWEE TRANSPORTATION CORPORATION

INDEPENDENT AUDITORS' REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Our discussion and analysis of Lenawee Transportation Corporation's financial statements provides an overview of the Transportation Corporation's financial activities for the fiscal year ended September 30, 2004. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets provide information about the activities of the Transportation Corporation and present a long-term view of the Transportation Corporation's finances. Also, the financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Transportation Corporation's overall financial status. These statements report information about the Transportation Corporation, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets regardless of when cash is received or paid. The two government-wide statements report the Transportation Corporation's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities - this is one way to measure the Transportation Corporation's financial health or position.
- The third statement is the Statement of Cash Flows which shows the change in cash and cash equivalents presenting all activity of the Transportation Corporation on a cash basis.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by supplementary information that further explains and supports the information in the financial statements.

Reporting the Transportation Corporation as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report information about the Transportation Corporation, as a whole, and about its activities in a way that helps answer the question of whether the Transportation Corporation, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Transportation Corporation's assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are accounted for the Statement of Revenues, Expenses, and Changes in Fund Net Assets regardless of when cash is received or paid.

The two statements, mentioned above, report the Transportation Corporation's net assets and how they have changed. The reader can think of the Transportation Corporation's net assets (the difference between assets and liabilities) as one way to measure the Transportation Corporation's financial health or financial position. Over time, increases or decreases in the Transportation Corporation's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To access the overall health of the Transportation Corporation, you need to consider additional factors such as changes in the general economy and changes in the laws related to Federal and State transportation funding.

Fund Financial Statements

The Transportation Corporation has only one fund, the General Operating Fund, in which all of the Transportation Corporation's activities are accounted. The General Operating Fund is a business-type fund, which accounts for activities on a full accrual basis.

Financial Analysis of the Transportation Corporation as a Whole

The Transportation Corporation's net assets decreased approximately 26.3% from \$521,773 to \$384,289 for the year ended September 30, 2004. The net assets and change in net assets are summarized below.

Net Assets

The net assets decreased by \$137,484 during 2003-04. The primary reason for the decrease was depreciation expense, which was \$148,075.

There were no new capital assets in fiscal year 2003-04.

Net assets for the years ended September 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Current assets	\$ 199,478	\$ 180,902
Capital assets	<u>230,731</u>	<u>378,766</u>
Total assets	<u>430,209</u>	<u>559,668</u>
Current liabilities	<u>45,920</u>	<u>37,895</u>
Total liabilities	<u>45,920</u>	<u>37,895</u>
Net assets:		
Invested in capital assets	230,731	378,766
Unrestricted	<u>153,558</u>	<u>143,007</u>
Total net assets	<u>\$ 384,289</u>	<u>\$ 521,773</u>

Changes in Net Assets

A summary of changes in net assets for the years ended September 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Revenues		
Operating revenue	\$ 129,614	\$ 106,680
Nonoperating revenue	<u>319,265</u>	<u>454,495</u>
Total revenues	448,879	561,175
Operating expenditures	<u>(575,839)</u>	<u>(597,093)</u>
Decrease in net assets	<u>\$ (126,960)</u>	<u>\$ (35,918)</u>

Nonoperating revenues for 2002-03 included State capital grants of \$121,196 while in 2003-04 there were no State capital grants utilized. This accounts for the main difference between years.

Budgetary Highlights

General Fund Budgetary Highlights

For fiscal year 2004, the primary differences between the budget and the actual figures are that the Project Zero expenditures are not included in the budget process as well as our depreciation expense.

Also, we were significantly under budget in two line items: "Other services" and "Other materials and supplies". The line items pertain to labor and parts for our vehicles. We are fortunate to have a relatively new fleet of vehicles which historically equates to lower maintenance costs.

Capital Assets

As of September 30, 2004, the Transportation Corporation had invested \$860,326 in capital assets.

	<u>2004</u>	<u>2003</u>	Total Percentage Change
Capital Assets Being Depreciated			
Equipment	\$ 86,060	\$ 86,019	19%
Vehicles	<u>774,267</u>	<u>952,182</u>	
Total capital assets	860,327	1,038,201	
Total accumulated depreciation	<u>(629,596)</u>	<u>(659,435)</u>	
Total net capital assets	<u>\$ 230,731</u>	<u>\$ 378,766</u>	

During fiscal year, fully depreciated vehicles were disposed of. Original cost of these vehicles was \$177,915.

Economic Factors and Next Year's Budget

The influence of our 2005 budget rests with the anticipation of current level governmental funding. The expected State funding reimbursement level is proposed at 38.43 percent of eligible expenses or the floor (minimum) which is equivalent to the State funds received in fiscal year 1997. This minimum is contingent upon the level of local funds remaining the same. However, if the local funds are reduced, the State funds would be reduced proportionately. We are currently at our floor.

Also, influencing our budget is the forecast of our ridership to remain constant or increase slightly. A decline in ridership would force an increase in our fare structure.

Contacting the Corporation's Financial Management

This financial report is designed to provide the citizens and other interested parties a general overview of the Transportation Corporation's finances and to show the Transportation Corporation's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Lenawee Transportation Corporation, 100 East Church Street, Michigan 49221.

To the Board of Directors
Lenawee Transportation Corporation
Adrian, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of Lenawee Transportation Corporation, a Nonprofit Corporation, as of and for the years ended September 30, 2004 and 2003, which comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lenawee Transportation Corporation's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Lenawee Transportation Corporation, as of September 30, 2004 and 2003, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Lenawee Transportation Corporation has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of October 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2004 on our consideration of Lenawee Transportation Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors
Lenawee Transportation Corporation
Adrian, Michigan

The management's discussion and analysis on pages i through iv is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that comprise Lenawee Transportation's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Lenawee Transportation Corporation. Such information has been subjected to the procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
November 5, 2004

To the Board of Directors
Lenawee Transportation Corporation
Adrian, Michigan

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of Lenawee Transportation Corporation, a Nonprofit Corporation, as of and for the year ended September 30, 2004, which comprise Lenawee Transportation Corporation's basic financial statements and have issued our report thereon dated November 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Lenawee Transportation Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Lenawee Transportation Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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To the Board of Directors
Lenawee Transportation Corporation
Adrian, Michigan

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
November 5, 2004

LENAWEE TRANSPORTATION CORPORATION

STATEMENTS OF NET ASSETS

September 30, 2004 and 2003

	<u>Business-Type Activity</u>	
	<u>General Operating</u>	
	<u>2004</u>	<u>2003</u>
ASSETS		
Current assets:		
Cash	\$ 175,083	\$ 152,374
Accounts receivable	9,920	11,297
Grants receivable	5,961	9,321
Interest receivable	150	343
Due from City	6,349	5,427
Prepaid expense	<u>2,015</u>	<u>2,140</u>
Total current assets	199,478	180,902
Capital assets:		
Equipment and vehicles, less accumulated depreciation	<u>230,731</u>	<u>378,766</u>
	<u>\$ 430,209</u>	<u>\$ 559,668</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 34,351	\$ 28,495
Due to State	<u>11,569</u>	<u>9,400</u>
Total current liabilities	<u>45,920</u>	<u>37,895</u>
Net assets:		
Invested in capital assets	230,731	378,766
Unrestricted	<u>153,558</u>	<u>143,007</u>
Total net assets	<u>\$ 384,289</u>	<u>\$ 521,773</u>

The notes to the financial statements are an integral part of this statement.

LENAWEE TRANSPORTATION CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Years Ended September 30, 2004 and 2003

		<u>2004</u>	<u>2003</u>
Operating revenues	(Schedule 1)	\$ 129,614	\$ 106,680
Operating expenses	(Schedule 2)	<u>(575,839)</u>	<u>(597,093)</u>
Operating loss		<u>(446,225)</u>	<u>(490,413)</u>
Nonoperating revenues	(Schedule 3)	319,265	333,299
Contributed capital – State		<u> </u>	<u>121,196</u>
Nonoperating revenue		<u>319,265</u>	<u>454,495</u>
Net Loss		(126,960)	(35,918)
Net assets – beginning of year		521,773	557,691
Less: Prior period payment related Project Zero activity		<u>(10,524)</u>	<u> </u>
Net assets – end of year		<u>\$ 384,289</u>	<u>\$ 521,773</u>

The notes to the financial statements are an integral part of this statement.

LENAWEE TRANSPORTATION CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2004 and 2003

INCREASE (DECREASE) IN CASH

	<u>2004</u>	<u>2003</u>
Cash flows from operations:		
Cash received from farebox , contracts, County, and grants	\$ 451,653	\$ 568,164
Cash paid to suppliers and employees	(430,178)	(481,630)
Interest received	<u>1,234</u>	<u>1,910</u>
Net cash provided by operating activities	22,709	88,444
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u> </u>	<u>(121,196)</u>
Net increase (decrease) in cash	22,709	(32,752)
Cash at beginning of year	<u>152,374</u>	<u>185,126</u>
Cash at end of year	<u>\$ 175,083</u>	<u>\$ 152,374</u>

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired.

LENAWEE TRANSPORTATION CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2004 and 2003

RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>2004</u>	<u>2003</u>
Net loss	\$ (126,960)	\$ (35,918)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	148,075	134,997
(Increase) decrease in:		
Accounts receivable	1,377	4,768
Grants receivable	3,360	3,759
Other receivables	(729)	(905)
Prepaid expense	125	10
(Decrease) increase in:		
Accounts payable and accrued liabilities	(4,708)	(19,544)
Due to State	<u>2,169</u>	<u>1,277</u>
Total adjustments	<u>149,669</u>	<u>124,362</u>
Net cash provided by operating activities	<u>\$ 22,709</u>	<u>\$ 88,444</u>

The notes to the financial statements are an integral part of this statement.

LENAWEE TRANSPORTATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, Lenawee Transportation Corporation (LTC) includes all funds and accounts that are controlled by the Corporation.

Lenawee Transportation Corporation is a primary governmental unit with no outside component units.

Lenawee Transportation Corporation is a Corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Corporation is governed by its own board whose members are appointed by the Lenawee County Board of Commissioners. The Corporation receives a portion of its funding from Lenawee County. Lenawee Transportation Corporation has a contract with Lenawee County to operate a transportation system in the County.

The accounting policies of Lenawee Transportation Corporation conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Effective October 1, 2003, Lenawee Transportation Corporation implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Corporation's overall financial position and results of operations has been included with the financial statements.
- Financial statements prepared using full accrual accounting for all of the Corporation's activities.
- A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Corporation has elected to implement the general provisions of the statement.

Basic Financial Statements – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets) report information on the activities of the Corporation. Lenawee Transportation Corporation consists solely of a business-type activity; no governmental-type activity exists.

The financial statements are provided for the business-type fund which is the same as the governmental-wide financial statements.

The major individual fund (General Operating Fund) is reported in the financial statements.

LENAWEE TRANSPORTATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

LTC uses the accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available for use in current operations. Expenses are recorded when the liability is incurred.

LTC accounts for its operations in a manner similar to private business enterprises, where the intent of LTC is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis are financed through user charges, State and Federal grants, and County support. LTC is deemed to be an enterprise fund.

Cash and Investments – Cash and cash investments are considered to be cash on hand, demand deposits, and short-term investments (certificates of deposit) with a maturity of three months or less when acquired.

Fixed Assets and Depreciation – Fixed assets are stated at cost. Cost relating to maintenance and repairs are charged to expense. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: COMMITMENTS:

Lenawee Transportation Corporation has contracted with Quick Service Transportation Company of Adrian, Michigan to operate the Lenawee Transportation system. The Corporation pays Quick Service \$300 per month for rental of a dispatch center and \$1,715 per month for administrative duties in fiscal year 2003-04, and makes reimbursement for all direct expenses of the Lenawee Transportation operation. The contract is renewed annually, including amendments for negotiated changes.

NOTE 3: CASH

At year end, the carrying value of the bank account was \$85,083, and the bank balance was \$97,285, which is fully insured by federal depository insurance. Also, there is a certificate of deposit of \$90,000, which is fully insured by federal depository insurance.

Lenawee Transportation Corporation invest only in instruments allowed under state law.

LENAWEE TRANSPORTATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 4: CAPITAL ASSETS

Vehicles are stated at cost or fair market value at date of gift. The vehicles in use by the Lenawee Transportation program are purchased by the State. If the program should end, the vehicles would be returned to the State. The buses are depreciated over five years on a straight line basis. Rehabilitation costs of vehicles have also been capitalized and depreciated.

Computer equipment and radios have also been received from the State and are being depreciated over six and ten years, respectively, on a straight line basis.

Property assets on the balance sheet at September 30, 2004 and 2003 are:

	<u>Purchased with Capital Grants</u>	
	<u>2004</u>	<u>2003</u>
Equipment	\$ 86,060	\$ 86,019
Vehicle cost	<u>774,267</u>	<u>952,182</u>
	860,327	1,038,201
Less: Accumulated depreciation	<u>629,596</u>	<u>659,435</u>
Property assets	<u>\$ 230,731</u>	<u>\$ 378,766</u>

NOTE 5: CAPITAL GRANTS

During fiscal year 2003-04, Lenawee Transportation Corporation had the following capital grants:

<u>Contract or Project Number</u>	<u>Grant Amount</u>	<u>Amount Previously Earned</u>	<u>Amount Earned This Audit Period</u>	<u>Total Amount Earned</u>	<u>Amount Remaining</u>
2001-0545	\$ 85,435	\$ 84,875	\$ 560	\$ 85,435	\$ -
2002-0585	82,335				82,335
2002-0059	18,000				18,000

NOTE 6: PENSION PLAN

The Coordinator of Lenawee Transportation Corporation is covered by the defined benefit pension plan of Lenawee County - the Lenawee County Board of Commissioners Employees' Retirement Income Plan. Full disclosure of this plan is provided in the County of Lenawee's financial statements for the year ended December 31, 2003.

LENAWEE TRANSPORTATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 6: PENSION PLAN (Continued)

Lenawee Transportation Corporation has made its required pension contributions to the County. The contribution for the year ended September 30, 2004 was \$4,629.

Employees of Quick Service are covered by a defined contribution pension plan using IRA accounts.

NOTE 7: SICK AND VACATION PAY

Under existing general County rules and regulations, as regular employees, the Coordinator accumulates 6/10ths (first year) and 8/10ths (second to fifth year) of a day combined sick and vacation time for each two-week period. All accrued leave time will be paid by the County at time of termination or retirement in accordance with County policy. An accrual for unpaid leave time has been recorded at September 30, 2004 for \$3,728, which is included in accounts payable and other accrued liabilities on the balance sheet.

NOTE 8: TRANSPORTATION AGREEMENT AND COST ALLOCATION

The LTC provides semi-fixed route service to Lenawee County residents. The City of Adrian operates a separate service for City residents only. On September 17, 1984, LTC and the City of Adrian entered into an agreement to provide public transportation to both service areas by sharing in a transportation coordinator, clerical and support assistance, and office space.

Under the agreement, LTC pays the wages and fringe benefits of the transportation coordinator, and the City of Adrian provides the clerical and support assistance, and office space for LTC.

A formula has been worked out for the allocation of costs between Lenawee Transportation Corporation and the City of Adrian. This formula or allocation plan has been accepted by the Michigan Department of Transportation. Based on this plan, the allocated costs have been determined for the year. The difference in the allocated costs between the two units has been set up as a receivable or payable by the applicable unit. Also, in the settlement of eligible grant expenses (see Schedule 5) adjustments have been made for the allocation of administrative costs.

LENAWEE TRANSPORTATION CORPORATION

SCHEDULE OF OPERATING REVENUES

For the Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Demand response/semi-fixed	\$ 40,546	\$ 31,883
Special transit	<u>89,068</u>	<u>74,797</u>
	<u>\$ 129,614</u>	<u>\$ 106,680</u>

LENAWEE TRANSPORTATION CORPORATION

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL

For the Year Ended September 30, 2004
With Comparative Totals for the Year Ended September 30, 2003

				2004		2003
	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>	<u>Budget</u>	<u>Total System</u>
Labor:						
Operators' wages	\$ 105,227	\$	\$ 35,260	\$ 105,227	\$ 108,500	\$ 106,409
Other salaries and wages	85,350			120,610	91,080	120,757
Fringe benefits	46,776		15,070	61,846	44,725	54,128
Services:						
Other services	3,636	14,762	6,187	24,585	36,405	40,497
Materials and supplies consumed:						
Fuel and lubricants	29,488	2,349		31,837	30,200	30,546
Tires and tubes	5,400			5,400	7,500	7,870
Other materials and supplies	930	11,142	151	12,223	20,600	21,142
Miscellaneous:						
Travel and meetings	2,921			2,921	2,000	2,602
Advertising			426	426	1,200	3,565
Other	914			914	600	643
Utilities	11,255			11,255	7,500	11,112
Casualty and liability cost:						
Premium for public liability and property damage insurance	46,654		266	46,920	48,300	59,200
Leases and rentals	3,600			3,600	3,900	3,625
Depreciation	<u>148,075</u>	<u> </u>	<u> </u>	<u>148,075</u>	<u> </u>	<u>134,997</u>
Total expenses	490,226	28,253	57,360	575,839	402,510	597,093
Project Zero expenses	(63,909)	(606)		(64,515)		(65,097)
RTAP expenses	<u>(1,007)</u>	<u> </u>	<u> </u>	<u>(1,007)</u>		<u>(688)</u>
General operating expenses	<u>\$ 425,310</u>	<u>\$ 27,647</u>	<u>\$ 57,360</u>	<u>\$ 510,317</u>		<u>\$ 531,308</u>

LENAWEE TRANSPORTATION CORPORATION

SCHEDULE OF NONOPERATING REVENUES

For the Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Local operating assistance	\$ 41,137	\$ 44,750
State of Michigan grants:		
Formula operating assistance (Act 51)	174,955	174,955
Project Zero	59,331	65,097
Federal operating grant -		
U.S. D.O.T. Operating Grant		
Section 5311	38,861	43,595
RTAP Grant	1,007	688
Other revenues:		
Interest income	1,234	1,910
Sale of bus	2,180	2,104
Reimbursements	<u>560</u>	<u>200</u>
Total nonoperating revenues	<u>\$ 319,265</u>	<u>\$ 333,299</u>

LENAWEE TRANSPORTATION CORPORATION

SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS

For the Year Ended September 30, 2004
 With Comparative Totals for the Year Ended September 30, 2003

	<u>Project Zero</u> <u>2002-0059</u>	<u>General</u> <u>Operations</u>	<u>2004</u> <u>Total</u>	<u>2003</u> <u>Total</u>
Labor	\$ 33,198	\$ 192,639	\$ 225,837	\$ 227,166
Fringe benefits	18,563	43,282	61,845	54,128
Services	307	24,278	24,585	40,497
Materials and supplies consumed	2,500	46,960	49,460	59,558
Miscellaneous		4,263	4,263	6,810
Utilities	2,782	8,473	11,255	11,112
Casualty and liability cost	6,444	40,475	46,919	59,200
Leases and rentals	721	2,879	3,600	3,625
Depreciation		148,075	148,075	134,997
	<u>\$ 64,515</u>	<u>\$ 511,324</u>	<u>\$ 575,839</u>	<u>\$ 597,093</u>

LENAWEE TRANSPORTATION CORPORATION
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATION
OF GENERAL OPERATIONS

For the Year Ended September 30, 2004

	Federal Section 5311 <u>10-1-03 to 9-30-04</u>	State Operating Assistance <u>10-1-03 to 9-30-04</u>
Expenses:		
Labor	\$ 192,639	\$ 192,639
Fringe benefits	43,282	43,282
Services	24,278	24,278
Materials and supplies	46,960	46,960
Miscellaneous	4,263	4,263
Utilities	8,473	8,473
Casualty and liability costs	40,475	40,475
Leases and rental	2,879	2,879
Depreciation	<u>148,075</u>	<u>148,075</u>
Total expenses	511,324	511,324
Ineligible expenses:		
Less: Depreciation	(148,075)	(148,075)
Less: Audit fee	(2,700)	(2,700)
Less: RTAP reimbursement	(1,007)	(1,007)
Less: Specialized Services Program (1) – DOA	(4,092)	(4,092)
Less: Administration reimbursement	<u>(560)</u>	<u>(560)</u>
Net eligible expenses	<u>354,890</u>	<u>354,890</u>
Section 5311- Reimbursement – 10.95%	<u>\$ 38,861</u>	
State Operating Assistance – 42.236619648% of eligible expenses or minimum floor - FY 1997 Act 51- \$174,955		<u>\$ 174,955</u>

(1) This program is administered by Lenawee
County Department of Aging (DOA)

DOA Mileage 2,128 Miles
DOA Revenue 2,128 x \$1.20 = \$2,554

DOA Costs \$361,683 x (2,128/188,104) = \$4,092

LENAWEE TRANSPORTATION CORPORATION
NOTES OF INELIGIBLE EXPENSES AND REVENUES

For the Year Ended September 30, 2004

DEPRECIATION

Depreciation accrued by public operations is ineligible according to UMTA 9050.1A, page V-4.

RTAP REIMBURSEMENT

Expenses reimbursed on RTAP Program are not eligible costs under Act 51 and Federal Section 5311.

SPECIALIZED SERVICES PROGRAMS

The State funding of the Specialized Services Program, administered by the Lenawee County Department on Aging, makes Lenawee Transportation Corporation's costs related to this program ineligible

Project Zero is a program funded by the Michigan Department of Transportation, Family Independence Agency, and Michigan Department of Career Development and is not eligible under Act 51 or Federal Section 5311.

AUDIT FEE

Any transit agency that expends less than \$500,000 in Federal Funds must subtract their annual audit fee from eligible expenses under Section 5311.

LENAWEE TRANSPORTATION CORPORATION

SCHEDULE OF MILEAGE DATA

For the Year Ended September 30, 2004

	Transportation <u>Mileage</u>
<u>Demand – Response</u>	
First Quarter	44,312
Second Quarter	47,081
Third Quarter	49,626
Fourth Quarter	<u>47,085</u>
Total operation	<u>188,104</u> (A)

(A) This figure does not include specialized service miles of Department of Aging, which was 2,128 miles for fiscal year 2003-04.

Also, mileage related to Project Zero is not included.

The methodology used for compiling mileage has been reviewed and found to be an adequate method for recording vehicle mileage.